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Peru

Agricultural Situation

Peru's Agricultural Profile

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Report Highlights: There are 128 million hectares of agricultural land in Peru, but only 8 million (6 percent) are actually used for commercial crops. More than 80 percent of the farmland is owned by farmers that have less than 10 hectares (about 30 acres).

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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Peru's Agricultural Profile

There are 128 million hectares of agricultural land in Peru, but only 8 million (6 percent) are actually used for commercial crops. The rest are natural pastures, land with potential for forestry or protected areas. The coastal region is by far the area where the most intensive agriculture is located. There are two types of agriculture on the coast, medium and large production of exportable crops (mangos, asparagus, grapes) and producers for the local market (sugar, rice, cotton). Most products in the highland region are produced for the local market. Highland production is mostly subsistence farming, the size of the producing unit is a limiting factor for economic development. Other than coffee, most of the crops grown in the oriental region (jungle) are for local consumption, this area has the biggest potential of development if the infrastructure is improved.

With high interest rates and lack of collateral, credit is one of the chief limiting factor for most producers. Currently banks are charging 15 to 18 percent interest on short-term (less than one year) loans. Most banks limit their portfolio to the medium or large farmers on the coast. Small farmers, who do not have access to bank credit, have to pay even higher interest rates. Outstanding formal bank credit for agriculture is around \$400 million of which 50 percent is just to finance rice and cotton. Informal financing (mills, wholesalers, distributors) add up to \$200 million.

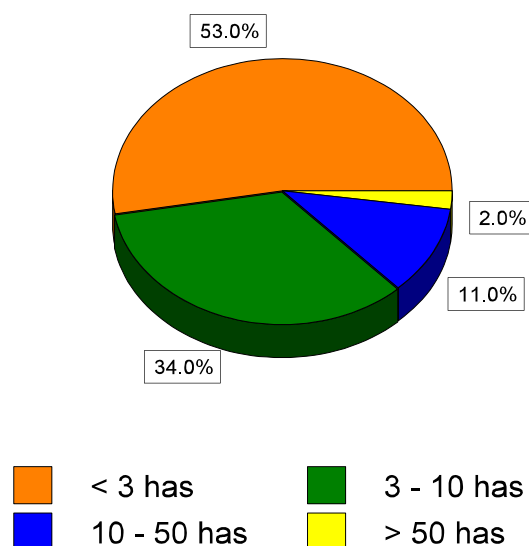
Land tenure has been a major problem for the last forty years. After the Land Reform starting in 1968, large producing units were divided among the workers creating micro-farming, the inverse problem it tried to solve. Currently, more than 80 percent of the farmland is owned by farmers that have less than 10 hectares (about 30 acres). Over the past three decades, Peruvian farmland has been atomized to the point where most of it cannot be managed efficiently.

Other significant changes in Peru's agricultural economy in the past ten years are the development of asparagus and fruits. Ten years ago asparagus production was almost nonexistent, today it is the second largest agricultural export and has become a \$150 million industry. Though the fruit industry, especially mangos and grapes, have not "matured" yet, it has become a sector with great export potential. Peruvian grape producers have already found a window in the U.S. market right after the U.S. harvest and before the Chileans come into the market. Mango exports are about \$9 million and grapes about \$5 million per year.

Land Distribution by Use and Region (thousand hectares)				
	Coast	Highland	Rainforest	Total
Temporary crops	1,140	1,341	2,421	4,902
Permanent crops	496	20	2,191	2,707
Pasture	1,622	10,576	5,718	17,916
Forestry	172	2,092	46,432	48,696
Protection	10,207	25,169	18,924	54,301
Total	13,637	39,198	75,687	128,522

One of the most difficult hurdles that agricultural development has to overcome in Peru is the extremely small size of production units. As a result of the land reform in 1968, land from commercial farms was divided among workers who in turn divided among the next generation. After 34 years of consecutive atomization of land, the new ownership scheme is in Graph 1.

Graph 1: Size of Agricultural Units



Agriculture in Peru

Peruvian agriculture can be divided in four categories:

Agricultural Sector	Main Characteristics
Modern	<ul style="list-style-type: none"> - 50,000 hectares on the coast - Land titles in order - High technological level - Access to commercial credit - Export oriented - Diversified production - Organized by crop in associations - Crops: asparagus, mango, grapes, citrus
Traditional	<ul style="list-style-type: none"> - 1.5 million hectares - Average unit size 5 - 50 hectares - Problems with land title - Low yields - Not well organized - Inefficient production and marketing - Crops: cotton, rice, coffee, sugar cane, corn and potato
Small Traditional	<ul style="list-style-type: none"> - 900,00hectares - Surface irrigated - Land title in order due to government programs - Low yields - Depends on brokers at wholesale markets - Crops: tomato, pumpkin, onions, fruits
Subsistence	<ul style="list-style-type: none"> - 2.5 million hectares, mainly in the rainforest and southern highlands. - Poor lands - Isolated from the market - Peasants organized in communities - Low yields - More a social problem than an agricultural one - Crops : self consumption

Peru's Main Agricultural Crops Value as Share of the Agricultural GDP		
Product	Percent	Accumulative percent
Poultry meat	20.1	20.1
Potato	8.75	28.85
Beef	7.83	36.68
Alfalfa	5.94	42.62
Rice	4.50	47.12
Milk	3.59	50.71
Coffee	3.45	54.16
Sugar cane	3.21	57.37
Bananas	2.96	60.33
Pork	2.90	63.23
Corn	2.58	65.81
Other	34.19	100